

## OPERATING AGREEMENT

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AGREEMENT made the 7 day of July, 1986.

BETWEEN: CANADA MORTGAGE AND HOUSING CORPORATION  
hereinafter called "CMHC"

- and - GOVERNMENT OF THE PROVINCE OF BRITISH COLUMBIA  
AS REPRESENTED BY THE MINISTER OF  
LANDS, PARKS AND HOUSING  
hereinafter called "LPH"

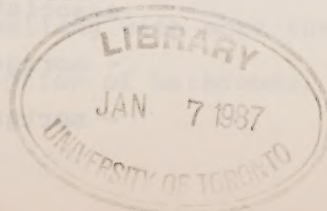
WHEREAS the Government of Canada ("Canada") and the  
Government of British Columbia ("British Columbia") have entered  
into a Global Agreement on Social Housing ("the Global  
Agreement") dated the 23rd day of April 1986 enabling the  
parties thereto to share the cost of any social housing Programs  
or initiatives which they wish to foster jointly;

AND WHEREAS Canada and British Columbia have agreed in the  
Global Agreement to cause this Operating Agreement to be entered  
into for the purpose of carrying into effect the principles of  
the Global Agreement;

AND WHEREAS the Global Agreement applies to Programs  
delivered through housing agencies defined in this Agreement;

AND WHEREAS CMHC and LPH are housing agencies of Canada and  
British Columbia respectively.

NOW THEREFORE THIS AGREEMENT WITNESSETH that the parties  
hereto, in consideration of the mutual covenants hereinafter  
contained, agree each with the other as follows:



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1. DEFINITIONS

- (a) The definitions contained in the Global Agreement shall apply to this Agreement.
- (b) "Act" means the National Housing Act.
- (c) "Active Party" means the party responsible for the delivery and administration of a Program as established in each of the schedules.
- (d) "Adjusted Income" means adjusted household income as described for each Program in Schedule A.
- (e) "Administration" means all activity associated with a given Program after a project's Interest Adjustment Date or commencement of subsidy assistance, including loan, project and agreement administration.
- (f) "Affordable dwelling" for purposes of determining Core Housing Need means a dwelling for which basic shelter costs are less than 30% of a household's income, as defined in 1(s).
- (g) "Average market rent" means average basic shelter costs in a specific geographic area for unsubsidized, non-farm, rental dwellings where rent is reported as greater than zero and where no rent is attributable to commercial space.
- (h) "Basic shelter costs" for homeowners for purposes of determining Core Housing Need means the following costs associated with a households's principal residence:
  - mortgage payment of principal;
  - mortgage payment of interest;



- property taxes;
- payments for oil, gas, coal, wood or other fuels;
- payments for electricity;
- payments for water, sewerage and related costs;
- payments for regular maintenance and repair.

"Basic shelter costs" for renter households for purposes of determining Core Housing Need means the following costs associated with a household's principal residence:

- rent;
- payments for oil, gas, coal, wood or other fuels, electricity, water, sewerage and related costs.

- (i) "Budgetary Expenditures" means transactions which affect the deficit or surplus of the Governments of Canada or British Columbia including subsidy assistance, net operating losses, loan forgiveness or recovery of non-budgetary expenditures and administrative expenditures.
- (j) "Commitment" means a written undertaking to finance or subsidize a specifically identified Unit or project and to incur budgetary or non-budgetary expenditures related thereto.
- (k) "Cost-Sharing" means the sharing between Canada and British Columbia of the eligible program costs covered by this Agreement according to the terms, conditions, frequency of payments and method or methods of calculation as set out in this Agreement and in Schedule A.
- (l) "Crowded dwelling" means a dwelling with more than one person per room with the exception of bathrooms, halls,

pantries and closets, and any rooms used for business purposes; all rooms in the dwelling considered separate by the household are counted.

- (m) "Delivery" means all activity associated with a given Program prior to a project's Interest Adjustment Date or commencement of subsidy assistance. This includes direct dealings with clients or the overseeing of a sponsor or delivery agent who deals directly with the client.
- (n) "Federal Assistance" means a contribution, grant, subsidy, interest free or interest reduced loan or forgivable loan made by CMHC for the purposes of this Agreement.
- (o) "Financing Interest" means the interest charges on net disbursements made by the Active Party on behalf of the other party.
- (p) "Global Agreement" means the enabling document referred to in the recitals above and signed by Canada and British Columbia on 23 April 1986.
- (q) "Housing Agency" means CMHC, LPH or its agent (British Columbia Housing Management Commission), or any municipality, or non-profit corporation with whom CMHC or LPH may enter into agreements to carry out any Program or initiative covered by the Global Agreement and this Agreement.
- (r) "Inadequate dwelling" means a dwelling needing major repairs or lacking basic facilities. Major repairs include, but are not limited to, defective plumbing,



defective electrical wiring, structural repairs to walls, floors, ceilings. Basic facilities are hot and cold running water, an indoor toilet and a bathtub or shower.

- (s) "Income", for purposes of determining Core Housing Need, means total income (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.
- (t) "Non-Budgetary Expenditures" means transactions which will be reflected in the accounts of Canada or British Columbia as an increase or decrease of assets and which will not increase or decrease their surplus or deficit. This includes loans or investments.
- (u) "Planning and Monitoring Committee" means the committee cited in the Global Agreement and described in section 6 of this Agreement.
- (v) "Priority Groups" means all those households in Core Housing Need, as defined in the Global Agreement.
- (w) "Provincial Assistance" means a contribution, grant, subsidy, interest free or interest reduced loan or forgivable loan made by British Columbia, its agent, or its municipalities for the purposes of this Agreement.
- (x) "Renovation" means any work undertaken on an existing dwelling, including repair, rehabilitation, improvement or conversion of the dwelling.

- (y) "Rural" means rural areas or communities having a population of 2500 persons or less, unless otherwise specified in Schedule A.
- (z) "Special purpose housing" means hostel or self-contained housing, used as a principal residence, which includes on-site care services and facilities, excluding food, related to residents' common physical, social and emotional condition or disability.
- (aa) "Suitable dwelling" for purposes of determining Core Housing Need, means a dwelling which can accommodate a household according to the following household size/ dwelling size relationship: 1 person - studio; 2 people - 1 bedroom; 3-4 people - 2 bedrooms; 5 or more people - 3 or more bedrooms.
- (bb) "Unit" means a unit or bed where a unit is a self-contained dwelling in detached or multiple housing form to be occupied by one eligible household; and a "bed" is the bed to be occupied by each individual resident in a special purpose housing project or hostel.
- (cc) "Urban" means communities having a population of more than 2500 persons, unless otherwise specified in Schedule A.
- (dd) The definitions contained in the Act shall apply to this Agreement.

## 2. SCOPE OF THE OPERATING AGREEMENT

- (a) The recitals herein shall form an integral part of this Agreement.



(b) This Agreement applies to the acquisition, development, construction, renovation and provision of projects; assistance for households; and to the delivery and administration of Programs covered herein.

(c) This Agreement applies to all new commitments made under the following Programs and any future Programs of CMHC and LPH which are consistent with the goals and objectives of the Global Agreement and are agreed to between the parties:

- Non-Profit Housing Program, Schedule A-1
- Rent Supplement Program, Schedule A-2

(d) The Global Agreement enables either party to initiate or develop new Programs which will be cost-shared by them with the approval of the other party. Whenever Canada or British Columbia decide to initiate a new Program which is to be cost-shared they shall provide a description of such Program to be included as part of Schedule A to this Agreement. This Schedule shall be duly reviewed and, once approved, signed by LPH and CMHC and will include further details such as administrative and financial arrangements, and other Program details which are necessary.

### 3. FEDERAL RESPONSIBILITIES

(a) Within the limits of approved budgets CMHC agrees:

- i) to insure loans made by approved lenders for capital financing for housing projects under Part I of the Act;
- ii) to make loans under Section 37.1 of the Act for proposal development funding;

iii) to make contributions pursuant to Section 56.1 of the Act to eligible contribution recipients to enable them to meet the costs of rental accommodation and reduce the rentals thereof.

(b) All loans, contributions and other assistance referred to in subsection (a) shall be subject to the provisions of the Act, this Agreement and of the Global Agreement.

4. CONDITIONS FOR PROVINCIAL DELIVERY AND ADMINISTRATION

(a) LPH may assume responsibility for the delivery and administration of any Program covered by this Agreement, subject to the fulfillment of the following conditions for such Programs which it delivers and administers. It is understood that LPH shall assume responsibility for on-going program administration for any Program which it delivers.

i) The Parties shall share the eligible program costs, as set out in Schedule A, for such Programs which are covered by this Agreement.

ii) LPH shall direct assistance under such Programs to eligible clients for each Program as specified in Schedule A. Over any three-year period LPH may direct no more than an average of 10 percent of British Columbia's total allocation for the Non-Profit Housing, Rural and Native Housing Homeownership and Rental, Urban Native Non-Profit Housing and Rent Supplement Programs to special purpose housing.



iii) LPH shall deliver and administer such Programs in accordance with the Act, the Regulations thereunder, the provisions of Schedule A and mutually agreed upon guidelines that reflect the principles of this Agreement.

iv) LPH shall participate in a joint planning process with CMHC, and shall provide on a timely basis all information outlined in this Agreement and Schedules A and C to ensure Program objectives and accountability of both the federal and provincial governments, including financial requirements, are met.

v) LPH shall ensure access to delivery of such Programs by sponsors, delivery groups or agents specified in Schedule A for each Program.

(b) The above does not preclude, with the agreement of both parties, delivery and administration of Programs by CMHC where those Programs are cost-shared by the LPH.

## 5. RESPONSIBILITIES OF THE ACTIVE PARTY

(a) The Active Party agrees:

i) to establish and implement program procedures, and to deliver and administer Programs in an efficient and effective manner;

ii) to undertake, inter alia, the assessment of project feasibility, project selection, project development, inspection, certification of project commitment, client selection, development of occupancy guidelines, verification of occupant

incomes, approval of project annual operating budgets, calculation of eligible project costs, and loan, subsidy and project administration.

- (b) The Active Party shall be responsible for ensuring the Program objectives and guidelines are met, consistent with the conditions covered in Section 4 of this Agreement.

6. PLANNING AND MONITORING COMMITTEE

- (a) CMHC and LPH shall establish a Planning and Monitoring Committee which they shall chair jointly.
- (b) CMHC's co-chairperson shall be the General Manager for British Columbia and LPH's co-chairperson shall be the General Manager, British Columbia Housing Management Commission.
- (c) The Committee shall meet no less than four times annually and shall meet at the call of either co-chairperson.
- (d) The mandate of the Planning and Monitoring Committee shall be to conduct the joint planning process described in Section 7 and to monitor the implementation and achievements of the three-year plan.
- (e) The functions and responsibilities of the Planning and Monitoring Committee shall include:



- i) reviewing the three-year plan prepared by LPH for those Programs where LPH is the Active Party, in accordance with the provisions of Section 7;
- ii) reviewing the three-year plan prepared by CMHC for those Programs where CMHC is the Active Party, in accordance with the provisions of Section 7;
- iii) proposing revisions to the consolidated three-year plan;
- iv) reviewing on a regular basis the progress during the year of the implementation of the plan, including budgetary and non-budgetary expenditures and their related cash flows;
- v) undertaking a thorough annual analysis of the achievement of the objectives set out in this Agreement and put into effect through the three-year plan;
- vi) reviewing and following-up on operational audit plans and recommendations;
- vii) proposing modifications to the Programs covered by this Agreement, and to Program guidelines including adjustments to market rents and Maximum Unit Prices;
- viii) monitoring conformity with the provisions for publicity and information outlined in Section 17 of this Agreement;

- ix) providing a forum for the sharing of information resulting from research, studies, surveys and other activities;
- x) monitoring compliance with the Global Agreement and this Agreement, including the identification of contentious issues or failure to comply with the terms and conditions of both Agreements;
- xi) such other functions and responsibilities as the parties may mutually agree upon.

7. JOINT PLANNING PROCESS

- (a) LPH and CMHC shall undertake a joint planning process for the purpose of developing an on-going three-year plan which identifies the most cost-effective and appropriate social housing strategy to meet the objectives of the Global Agreement and the Schedules to this Agreement.
- (b) The Planning and Monitoring Committee shall undertake the following functions:
  - i) the exchange of data, research, survey results and any other information relevant to the determination of social housing needs and market conditions;
  - ii) the recommendation by the geographic areas listed below, of the need by priority groups for new or acquired housing, rent supplement assistance and renovation assistance and of the need for special purpose accommodation, and the development of the most appropriate strategy to address those needs:



- Lower Mainland
- Vancouver Island
- Northern Interior
- Southern Interior

iii) the recommendation of a proposed level of annual activity over the three-year period, in each geographic area, for each Program covered by this Agreement, taking into account the identified needs, the activities in prior years of the plan, social housing programs of either party not covered by this Agreement, and factors affecting delivery capability;

iv) the forecasting of annual budgetary and non-budgetary requirements over the three-year period, for each Program covered by this Agreement in a manner acceptable to the parties as outlined in Schedule A;

v) the review of a proposed consolidated three-year plan covering each year of the planning period.

(c) Members of the Planning and Monitoring Committee shall submit the proposed consolidated three-year plan to their respective agencies for required approvals.

(d) CMHC and LPH, respectively, shall seek the necessary budgetary authorities on the basis of the approved three-year plan, and shall communicate receipt of authorized annual budget levels to the other party.

(e) The approved three-year plan and annual budget authorities shall be appended to this Agreement as Schedule B and shall be updated annually.

(f) Members of the Planning and Monitoring Committee shall submit to their respective agencies for required approvals, any proposed major changes affecting allocations to client groups and geographic areas or any proposed increases to approved budgetary or non-budgetary requirements identified in the approved three-year plan. Changes to allocations among Programs are subject to the provisions of Section 12 of this Agreement.

(g) The joint planning process shall be undertaken in accordance with the calendar contained in Schedule C.

8. INFORMATION REQUIREMENTS

(a) The Active Party shall collect and make available to the other party all information, as specified in Schedule A. This information will be provided at specified intervals, during the planning, delivery, commitment and post-commitment stages and for the duration of federal and provincial financial assistance to a project.

(b) The Active Party agrees to provide, from time to time, to the other party such additional information needed to enable both parties to be accountable for actions taken under the Programs.

(c) The information requirements specific to individual Programs are outlined in Schedule A.



9. EVALUATION

- (a) The parties may undertake, where possible, joint Program evaluations, in accordance with the provisions of Subsection 4.5 of the Global Agreement.
- (b) Evaluations shall be undertaken for each Program covered by this Agreement, on a cyclical basis at three to five year intervals.
- (c) Program evaluations shall be undertaken to determine the continued need for Programs, their effectiveness in meeting objectives, their results and impacts and alternative Program design and delivery features.
- (d) Program evaluations shall be based on information available on an on-going basis, as outlined in Schedule A, as well as periodic surveys, research studies and other sources of data and analysis. Any such studies, when undertaken for joint evaluations, shall be cost-shared by the parties. Where evaluations are undertaken by one party individually, the parties shall cooperate fully with each other in collecting and sharing information.
- (e) In order to identify information requirements for Program evaluations, the parties agree to develop plans for future evaluations, within six months of the signing of this Agreement.
- (f) Program evaluations undertaken jointly shall be done in accordance with the governing authorities of the parties' respective governments.

10. OPERATIONAL AUDITS

- (a) The parties shall undertake joint operational audits in accordance with the provisions of Sub-section 4.6 of the Global Agreement to determine whether the Programs are being delivered and administered in accordance with the Global and Operating Agreements and the mutually agreeable related guidelines.
- (b) Operational audit is an audit undertaken to assess the adequacy of management controls and processes; the propriety of transactions; the economy, efficiency and administrative effectiveness of delivery and administration systems; and the compliance by the Active Party to the terms and conditions of the agreements and Program guidelines.
- (c) Operational audits shall be undertaken for each Program covered by this Agreement on a cyclical basis within a four-year period.
- (d) The scope, timing, and resources, and cost-sharing arrangements required for operational audits shall be mutually agreed upon.
- (e) The operational audits shall not duplicate other audits performed.
- (f) The parties agree to develop plans for the first cycle of operational audits within six months of the signing of this Agreement.



11. ALLOCATION

- (a) The allocation process for Units and/or dollars shall be as outlined in Section 5.3 and Schedule 1 of the Global Agreement.
- (b) Over any three-year period no more than an average of ten percent (10%) of British Columbia's total allocation for the Non-Profit Housing, the Rural and Native Housing Homeownership and Rental, the Urban Native Non-Profit Housing and Rent Supplement Programs may be used for special purpose housing.
- (c) The remaining social housing allocation shall be distributed among the Programs covered by this Agreement as specified in the approved three-year plan.
- (d) Taking into account those aspects of the planning process listed in clause 7(b)(iii), the Active Party shall assist families and senior citizens within the priority groups with the intent to direct this assistance in accordance with their share of Core Housing Need relative to each other.
- (e) Within the core housing need income limits, the number of Units directed to households at the upper income levels shall not exceed their proportionate share of need.

12. REDISTRIBUTION OF FUNDS AND UNITS

Redistribution of funds or Units among Programs, but not between budgetary and non-budgetary allocations, may be made, subject to the following conditions:

- (a) The redistribution shall be permitted only with respect to the funds or Units planned for year one of the three-year plan as set out in Schedule B of this Agreement and consistent with the financial authorities of each party.
- (b) The Active Party may redistribute up to 10 percent of the allocation for those Programs which it delivers and administers.
- (c) The Active Party shall notify the other party of all redistribution. Any redistribution which exceeds the limits specified must receive the prior approval of both parties.
- (d) CMHC shall take steps to review the existing controls over redistribution with the intent of providing increased flexibility.

13. INSURED LOANS

- (a) This section applies to the Non-Profit Housing Program for which financing is provided by approved lenders and insured by CMHC under Part I of the Act.
- (b) LPH shall be responsible, on behalf of CMHC, for the underwriting process for insuring loans provided by approved lenders, including site and plans examination, appraisal, cost estimates, determination of loan amount, and approval of financing terms and conditions.
- (c) LPH shall prepare a commitment letter to the lender for approval by CMHC. Where the commitment letter has been approved, CMHC shall issue to the lender an undertaking



to insure, upon receipt from LPH of a notice of commitment and submission by the approved lender of the required underwriting documentation.

- (d) LPH is responsible for authorizing all advances and undertaking inspections to ensure compliance with the plans and specifications and applicable building standards, and to determine the value of the work in place.
- (e) CMHC will issue an insurance policy to the approved lender upon notification by LPH that the loan is fully advanced and the Interest Adjustment Date has been set.
- (f) No application fees will be charged by CMHC or LPH and no premium will be due to CMHC for the underwriting and issuance of the insurance policy.
- (g) Claims by approved lenders on the Mortgage Insurance Fund established under Part I of the Act will be processed by CMHC pursuant to the Act, the National Housing Loan Regulations and applicable guidelines in effect from time to time.
- (h) CMHC and LPH shall enter into an agreement regarding the cost-sharing of any costs which may be sustained by the Mortgage Insurance Fund. The agreement shall specify the terms and conditions for disposition of any properties acquired, based on the following cost-sharing principles:
  - i) LPH and CMHC shall share the costs related to that part of a project assisted by CMHC under this Agreement according to the cost-sharing arrangements for the Program through which the project was assisted;

- ii) LPH shall assume all costs related to that part of a project not assisted by CMHC under this Agreement.

14. NON-BUDGETARY COMMITMENTS AND EXPENDITURES

- (a) This section applies to Proposal Development Funding for the Non-Profit Housing Program, for which non-budgetary expenditures are provided under Section 37.1 of the Act.
- (b) LPH and CMHC shall share eligible non-budgetary expenditures, in accordance with the provisions of Schedule A. The parties shall not share any non-budgetary expenditures which are not included in, or which are in excess of, eligible program costs, unless otherwise agreed to.
- (c) The Active Party shall approve commitments to incur non-budgetary expenditures and shall deliver to the other party a notice of commitment, on a mutually acceptable form, within thirty (30) days of the end of the month in which the commitment was made. Receipt of a notice of commitment shall be acknowledged within ten (10) working days of receipt.
- (d) Commitments shall be made at interest rates acceptable to both parties.
- (e) Prior to commitment of non-budgetary funds, the Active Party shall be responsible for reviewing applications and proposals to ensure compliance with criteria, as outlined for each Program in Schedule A. No acquisition, construction, or renovation shall be started before a commitment has been approved.

- (f) During the advancing phase, the Active Party shall be responsible for ensuring that appropriate controls are in place and that, prior to authorizing any advance, the necessary requirements, as outlined for each Program in Schedule A, have been met.
- (g) The parties shall not commit non-budgetary funds in excess of approved annual budgets contained in Schedule B. Any proposed increases to non-budgetary allocations shall be submitted through the Planning and Monitoring Committee to the respective agencies for the required approvals.
- (h) The budget period for non-budgetary commitments is the calendar year. To the extent that non-budgetary expenditures are not committed by December 31, they shall lapse.
- (i) Current year commitments, including increases with respect to commitments made in previous years, shall be applied against the current year allocation.
- (j) Where a commitment is cancelled or decreased during the year in which it has been made, the related commitment authority shall be credited to the budget for that year. Cancellations or decreases of commitments approved in a prior year shall not alter the current year's budget. Each commitment increase, cancellation, or decrease shall be reported by the Active Party to the other party, on a mutually acceptable form.
- (k) The Active Party shall provide to the other party within five (5) working days following the end of the month a summary report of funds committed by Program.



15. BUDGETARY COMMITMENTS AND EXPENDITURES

- (a) This section applies to budgetary commitments and eligible budgetary expenditures which shall be cost-shared by CMHC and LPH for each Program, as set out in Schedule A.
- (b) The Active Party shall approve commitments to incur budgetary expenditures and shall deliver to the other party a notice of commitment on a mutually acceptable form. Where an insured loan is being sought, the notice of commitment shall be submitted to CMHC with the request for an undertaking to insure. Where an insured loan is not required, the Active Party shall deliver to the other party the notice of commitment within thirty (30) days of the end of the month in which the commitment was made. Receipt of a notice of commitment shall be acknowledged within ten (10) working days.
- (c) The parties shall not commit Units or disburse amounts in excess of approved budgetary limits contained in Schedule B. Any proposed increases to budgetary allocations shall be submitted through the Planning and Monitoring Committee to the respective agencies for the required approvals.
- (d) The budget period for budgetary commitments is the calendar year and for budgetary expenditures is the fiscal year ended March 31. To the extent that Units or budgetary commitments are not committed by December 31 and budgetary expenditures are not incurred by March 31, they shall lapse.

- (e) The parties shall not share any budgetary expenditures which are not included in, or which are in excess of, the eligible program costs outlined in Schedule A, or which are incurred prior to commitment, unless otherwise agreed to.
- (f) Current year commitments, including increases with respect to commitments made in previous years, shall be applied against the current year allocation.
- (g) Where a commitment is cancelled or decreased during the year in which it has been made, the related commitment authority may be credited to the budget for that year. Cancellations or decreases of commitments approved in a prior year shall not alter the current year's budget. Each commitment increase, cancellation, or decrease shall be reported by the Active Party to the other party on a mutually acceptable form.
- (h) Except in extenuating circumstances, each to be mutually agreed upon, commitments shall lapse if construction, acquisition or renovation of a project has not been started within six (6) months of the date of the notice of commitment or approved application.
- (i) Proceeds on the sale, demolition or destruction of assets under a Program shall be shared in proportion to the share of budgetary expenditures for that Program.
- (j) The Active Party shall report to the other party within five (5) working days following the end of the month a summary report of Units or funds committed by Program.

16. FINANCIAL REPORTING AND CLAIMS SETTLEMENT

- (a) The Active Party shall submit all claims for settlement relating to budgetary and non-budgetary expenditures, net of any monies received, on a monthly basis within thirty (30) days of the end of the month to which the disbursements/receipts relate.
- (b) The Active Party shall be reimbursed by the other party for financing interest on net expenditures, as specified in Schedule A, provided that an interim claim is submitted no later than thirty (30) days after the month in which the Active Party incurred the expenditures. The thirty day requirement mentioned above may be waived upon mutual consent of the parties.
- (c) The Active Party shall pay financing interest on the other party's share of budgetary and non-budgetary receipts in a manner as specified in Schedule A.
- (d) Interim and final claims shall be submitted in the format specified in Schedule A or as mutually agreed by both parties.
- (e) All claims for settlement shall be certified by a senior financial officer of the Active Party.
- (f) The Active Party shall submit to the other party by April 30 of each year, a list of material budgetary expenditures incurred but not disbursed, as at the preceding March 31.
- (g) The Active Party shall submit to the other party, by July 31, an audited final statement of expenditures by Program for the previous year ended December 31.



Should this statement not be received by July 31, the other party may retain a holdback on current year claims equal to 5% of the claims paid for the previous fiscal year. Notwithstanding section 16(b), no financing interest will be payable on this holdback.

- (h) The final statement of expenditures shall be audited by an independent auditor who is not an employee of either party.
- (i) The auditor of the final statement of expenditures shall state whether the audit was performed in accordance with generally accepted auditing standards, whether the statement presents fairly the expenditures by Programs, and whether the expenditures were incurred in accordance with the financial terms and conditions of the Operating Agreement.

17. PUBLICITY REQUIREMENTS

CMHC and LPH will cooperate in the development and implementation of a program of public information and publicity respecting projects and Programs funded pursuant to this Agreement that accurately reflects the respective roles and contributions of Canada and British Columbia, with all costs related thereto being jointly shared. Without limiting the generality of the foregoing, such program will require that:

- (a) unless otherwise agreed by both Parties, during the course of carrying out work on any project, LPH shall supply, erect and maintain a project sign specifying that the project is being financed by Canada and British Columbia;

- (b) unless otherwise agreed by both Parties, upon completion of work on each project, LPH shall supply, erect and maintain a sign or plaque to the effect set forth in clause (a);
- (c) LPH shall inform CMHC of the tentative date of any ceremony related to Programs and projects funded under this agreement thirty (30) working days prior to such date and shall ensure the Ministers responsible for LPH and CMHC, the General Manager of BCMHC and the President of CMHC are invited to any ceremonies associated with such Programs and projects. Ceremony dates are to be mutually agreed to by both parties within ten (10) working days of receipt by CMHC of notice of the tentative date. In certain instances, the aforesaid time periods may be reduced upon the consent of both parties;
- (d) the format and means of distribution of any announcements and/or notifications to sponsor groups and/or the public at large, relating to this Agreement or to Programs and projects at the global and/or individual conditional Unit or project allocation stages, proposal development funding loan commitment stages, project approval and commitment of subsidy assistance stages, undertaken pursuant hereto, shall be mutually agreed upon and arranged jointly. The Active Party shall provide to the other party, for input and joint approval, drafts of such announcements and/or notifications fifteen (15) working days prior to release to all concerned recipients unless otherwise agreed by both parties;

For the purposes of the above,

- i) joint approval will not be required where previously mutually agreed formats of announcements/ notifications are used; however, fifteen (15) working days advance notice must be provided by the Active Party to the other party in order to provide all concerned recipients with appropriate notice period unless otherwise agreed by both parties;
  - ii) joint approval is required in all cases where previously mutually agreed to formats are not used;
- (e) any Program information including signs, plaques, brochures, pamphlets, or other items of Program information and cheques shall fully recognize the contribution of both Canada and British Columbia and shall have the prior approval of both parties. With respect to cheques, this requirement could be met if a letter or notice fully recognizing the contribution of each party accompanies each cheque;
- (f) with regard to both official languages, the Active Party will take the steps necessary
- i) to ensure that information and publicity relative to housing programs is made available in both official languages where numbers warrant, as determined by the Planning and Monitoring Committee,



- ii) to make available application forms and program brochures, press releases and publicity material in both official languages throughout the province on request and for which CMHC is to provide the translation, and
- iii) to erect two signs for all projects (except where otherwise agreed in advance by both parties). The British Columbia sign may be in either or both official languages at the sole discretion of British Columbia, while the Canada sign shall be in both official languages.

Notwithstanding the above, and in order to ensure the anonymity as well as the respect of the clientele involved, CMHC and LPH may jointly agree to renounce any publicity.

Any matter of discussion between CMHC and LPH, related to public information and publicity initiatives, may be submitted to the Planning and Monitoring Committee.

#### 18. TERMINATION

This Agreement shall automatically terminate in the event of, and on the same date as, termination of the Global Agreement subject to funding commitments and other arrangements made hereunder. Such termination shall not alter or terminate commitments, nor arrangements for the administration of occupied stock, made prior to termination of this Agreement.

19. AMENDMENT

The schedules hereto may be altered or deleted, or new schedules added from time to time by mutual agreement of the parties. Each party shall notify the other by April 1 of any given year of any proposed amendments to the schedules which may be implemented in the following calendar year.

20. PHASING-IN

Each Program covered by this Agreement may be phased-in by arrangements mutually agreed upon between the parties hereto. More particularly, the Programs specifically identified in Section 2 shall be phased-in in accordance with time frames which will be identified in Schedule D. CMHC and BCHMC shall use their best efforts to establish as soon as possible the phasing-in arrangements for each Program to be covered in Schedule D.

21. OTHER PROVISIONS

- (a) The Active Party will make or cause to be made available to the other party all documents, books, records and accounts pertaining to the cost of construction, acquisition, development, renovation and delivery and administration of a project relating to all Programs covered by the Global Agreement, for the purposes of operational or financial auditing.
- (b) The parties will ensure that all documents, statements of charges, receipts and files pertaining to any project or Program are safely kept as long as required by legal prescription, and in no case for less than seven (7) years.

- (c) Where the Active Party becomes aware of any irregularity or potential legal infraction in the delivery or administration of a Program, it shall immediately inform the other party. The Active Party shall carry out all investigations and take all steps necessary to resolve the problem or irregularity, provided that, should the other party advise the Active Party of its desire to actively participate in such investigations or other actions, it shall be permitted.
- (d) The parties are jointly responsible for all claims resulting from the application of both the Global and the Operating Agreements, provided that the Active Party shall indemnify and save the other party harmless from any claim, action, dispute or any other matter involving third parties arising from negligence on the part of the Active Party in the delivery and administration of Programs and projects.
- (e) All construction activities carried out during the implementation of both the Global and Operating Agreements are to be carried out in compliance with the legislation, regulations and building codes and standards governing each respective level of government.
- (f) Wherever available, Canadian materials, products and human resources must be employed during the implementation of both the Global and the Operating Agreements. All ensuing contracts should be entered into in compliance with both the Canadian and Provincial laws relating to human rights.



- (g) This Agreement shall not be assigned or otherwise transferred by either party hereto.
- (h) In the event of conflict between any provision of this Agreement and any provision of the Global Agreement, the latter shall govern.
- (i) The Schedules hereto are an integral part of this Agreement.

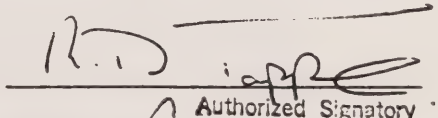
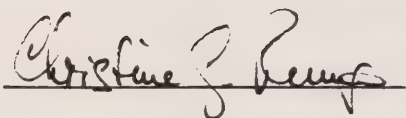
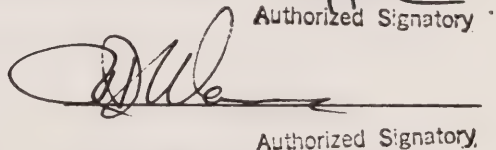
IN WITNESS WHEREOF, the parties hereto have set their hands and seals in execution of these presents.

Signed at this 7 day of July  
nineteen hundred and eighty-six in quadruplicate.

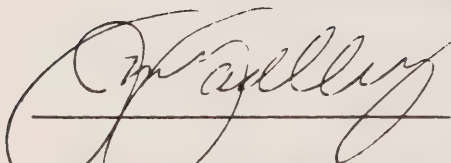
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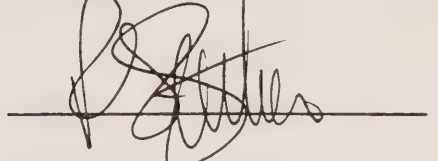
Canada Mortgage and  
Housing Corporation

  
Authorized Signatory  
Authorized Signatory,

Government of the Province  
of British Columbia as  
represented by the Minister  
of Lands, Parks and Housing



JIM R. YARDLEY  
Barrister and Solicitor  
MINISTRY OF ATTORNEY GENERAL  
PARLIAMENT BUILDINGS  
VICTORIA, B.C.



SCHEDULE C  
Calendar for Joint Planning Process

<u>Activity</u>	<u>Date</u>
1. LPH and CMHC exchange data and information on needs and market conditions by specified geographic area and notify each other of any proposed changes for the upcoming calendar year to the Operating Agreement, including the Schedules. Planning and Monitoring Committee meets to assess needs by Program type for each specific geographic area:	May 1
2. CMHC advises LPH of tentative allocations for upcoming 3-year period.	May 25
3. LPH submits report to CMHC on determination of need.	June 1
4. The Committee meets to review proposed level of annual activity by specific geographic area by client type over the three-year period, and to forecast annual budgetary and non-budgetary requirements over this period.	June 15
5. LPH and CMHC each send an advance copy of their respective draft plans to the other for information.	June 30
6. Committee meets to review draft consolidated three-year plan.	July 15
7. Committee submits proposed plan to LPH and CMHC for approval.	August 1
8. CMHC confirms the budgetary and non-budgetary allocations for year one of the three-year plan.	January 2

**NON-PROFIT HOUSING PROGRAM  
BRITISH COLUMBIA**

Agreement between "Canada Mortgage and Housing Corporation" (CMHC) and "Ministry of Lands, Parks, and Housing" (LPH) and "British Columbia Housing Management Commission" (BCHMC).

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This Program will be delivered and administered by the Ministry of Lands, Parks and Housing as represented by its agent, the British Columbia Housing Management Commission.

1. OBJECTIVE

To assist households in need to obtain affordable, adequate and suitable rental housing.

2. PROGRAM DESCRIPTION

The Non-Profit Housing Program provides funds to subsidize rental housing projects owned and operated by British Columbia, its Municipalities, Public or Private Non-Profit Housing Corporations and Non-Profit Continuing Cooperative Housing Associations. The maximum annual subsidy payable to any project, without on-site care or support services, is equal to the difference between eligible annual operating costs and revenues. The subsidy provided for each Unit will be cost-shared 67 percent by Canada and 33 percent by British Columbia. The maximum annual subsidy for special purpose projects is the difference between the amount required to amortize eligible project costs over a maximum of 35 years and the



- 2 -

amount required to amortize such costs if the interest rate charged were 2 percent per annum, shared 67 percent by Canada and 33 percent by British Columbia.

In order to establish the rent and the amount of subsidy required for a Unit, rents are calculated according to a rent-to-income scale and adjusted household incomes as defined in Appendix "1" of this Schedule. Projects may be financed by British Columbia or privately financed by an uninsured loan or by an NHA insured loan made by an NHA Approved Lender. In all cases loans will be amortized over the useful life of the project, up to 35 years, for up to 100% of total lending value.

A competitive project selection process will be used by BCHMC, to ensure the best targeted and most cost-effective projects are committed. Proposal development funding loans may be made available on a cost-shared basis to eligible private non-profit sponsors and continuing cooperative associations to facilitate their participation in the process.

#### Enabling Federal Legislation

##### National Housing Act:

- Proposal Development Funding - Section 37.1;
- Insured loans - Part I;
- Subsidy Assistance - Section 56.1.

#### Enabling Provincial Legislation

##### Ministry of Lands, Parks and Housing Act:

- 
-

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### 3. ELIGIBILITY CRITERIA

#### 3.1 Sponsors

Eligible sponsors/owners are the Province, Municipalities, Public or Private Non-Profit Housing Corporations and Non-Profit Continuing Cooperative Housing Associations which are eligible contribution recipients defined in the Act. All capital or shares in a Public Non-Profit Housing Corporation will be owned by a public body, including a municipality, province or other level of government. No capital or shares in a Private Non-Profit Housing Corporation will be owned by a public body. The shares in a Non-Profit Continuing Cooperative Housing Association are owned by the members.

#### 3.2 Clients

Eligible clients are those households who are in core housing need, as defined in the Global Agreement, with total household income, as defined in Appendix "1", which falls below the core income threshold and those with a special purpose housing need.

#### 3.3 Projects

Projects can be developed through new construction, the purchase of existing housing with or without subsequent rehabilitation, and the conversion of existing buildings. Any building form which can be produced at costs acceptable to BCHMC and CMHC will be eligible for assistance under the Program. Projects may include compatible non-residential community, care or commercial space which is financially self-supporting, as established in subsection

- 4 -

4.4. At least 5% of the Units produced under the Program each year, in non-special purpose projects, will be accessible and designed as "mobility" Units, as defined in Program Guidelines. Demand will be considered in determining the number of "mobility" Units in any particular project. Further modifications to these Units, as approved by BCHMC, may be undertaken to meet the needs of particular clients. As outlined in Program Guidelines, such modifications are eligible for cost-sharing.

#### 3.4 Occupants

BCHMC will ensure that all households selected to occupy projects/Units receiving cost-shared assistance under the Program are households in need. As a first priority, "mobility" Units are to be occupied by households in need in which at least one person is physically disabled, as determined by BCHMC.

#### 4. ELIGIBLE PROJECT COSTS/ASSISTANCE

##### 4.1 Proposal Development Funding

Interest-free repayable loans of up to \$75 000 per project may be provided by BCHMC to support the development of project proposals by private non-profit groups and non-profit continuing cooperative housing groups intending to serve low income individuals and families and the disabled. Non-budgetary and budgetary funds associated with these loans will be shared 67 percent by Canada and 33 percent by British Columbia. The maximum loan to any sponsor will depend on the size and



- 5 -

complexity of the proposed project and the work to be done in each successive phase of project development. Activities for which funding may be provided include: incorporation; legal cost; demand studies; best buy analysis; economic feasibility analysis; soil tests; site plans; drawings and specifications; preliminary capital and operating cost estimates; and options/offers to purchase.

Initial proposal development funding loans of up to \$10 000 per project may be provided to enable eligible sponsors to prepare applications for conditional allocations. Where new construction or major renovations are planned, the initial loan may be increased by \$150 per planned Unit, up to a cumulative maximum of \$30 000. Further loan increases can be provided to a cumulative maximum of \$75 000 to enable sponsors, who have been awarded a conditional allocation, to complete all outstanding requirements for a timely commitment.

#### 4.2 Eligible Project Capital Costs

A project's total eligible costs pertain only to the Units committed under the Program and are for the residential portion only, as specified in Program Guidelines. These costs include, but are not limited to, land acquisition and servicing, construction/rehabilitation/conversion, landscaping costs, resource group/consultant fees, organization expenses, interest and other fees and charges as outlined on the form specified in Program

- 6 -

Guidelines, and must not exceed the lesser of the actual costs or the Maximum Unit Price approved by CMHC and BCHMC, applicable to the Units at the time of commitment.

Interest rates must be competitive and acceptable to both CMHC and BCHMC. Interest rates used where financing is provided by BCHMC shall not exceed the lowest rate available for major NHA approved lenders for comparable loans.

4.3 Ineligible Project Capital Costs

Projects may contain residential dwelling Units in addition to those committed under the Program as well as non-residential space. No costs associated with the development, financing or operation of the additional Units or non-residential space will be eligible for cost-shared assistance under the Program. Ineligible residential and non-residential costs will include a prorated share of the project's soft costs, the land value, and costs of mechanical systems.

4.4 Acceptable Project Capital Costs/Lending Value

Acceptable project costs, used to determine the lending value, are the eligible costs within the Maximum Unit Price, the cost of the ineligible residential portion plus the cost of additional non-residential space which cannot exceed 15 percent of the cost of the residential portion of the project and 20 percent of its floor area.

- 7 -

4.5 Costs Eligible for Assistance

Only the actual eligible project costs of the residential component of a project within the Maximum Unit Price are eligible for cost-shared subsidy assistance.

4.6 Insured Loans

When BCHMC has entered into a loan insurance agreement with CMHC, approved lender loans for up to 100% of a project lending value can be insured by CMHC under Part I of the Act for no premium. BCHMC will ensure that insured loans to all eligible sponsors will be at interest rates and terms acceptable to CMHC at the time of commitment.

5. PROJECT SELECTION/DELIVERY PROCESS

5.1 Targeting

BCHMC will ensure that all Units in this Program are allocated within the geographic areas specified in the Operating Agreement and to priority groups in accordance with the approved three-year plan attached as Schedule B to the Operating Agreement. Taking into account the planning process, BCHMC shall assist families and senior citizens within the priority groups with the intent to direct assistance in accordance with their share of core housing need relative to each other. Within the core housing need income limits, the number of Units directed to households at the upper income levels shall not exceed their proportionate share of need.



- 8 -

BCHMC will ensure that a minimum proportion of the annual allocation of Units or dollars under this Program, to be agreed upon with CMHC, and specified annually in Schedule B of the Operating Agreement, is made available to Private Non-Profit Housing Corporations, including Non-Profit Continuing Cooperative Housing Associations.

## 5.2 Project Selection

BCHMC will retain an allocation and public and private non-profit sponsors will be awarded conditional allocations to support their continuation in the project development process and the achievement of a timely commitment. A conditional allocation is not a commitment and can be withdrawn should it become evident that a proposal will be unable to meet all project eligibility and commitment criteria or the deadline for a final application.

Projects selected for conditional allocations will meet selection criteria acceptable to CMHC and BCHMC and will be the most cost-effective available in terms of the annual subsidy requirements for the given Unit type mix. Cost-effectiveness will be separately determined for family and senior projects. It is based on the ratio of estimated eligible project costs less related equity contributions, to its Maximum Unit Price and other operating cost-saving factors to be agreed upon by CMHC and BCHMC. Projects with the lowest ratio will be considered the most cost-effective.

- 9 -

5.3 Project Selection - Special Purpose

BCHMC will develop and select the most cost-effective special purpose non-profit projects after weighing the relative merits of new construction versus the acquisition of existing structures and after assessing the costs and benefits of various housing acquisition techniques appropriate to local market conditions.

5.4 Project Selection - Public and Private Non-Profits and Cooperatives

Projects to be developed by Public and Private Non-Profit Housing Corporations and Non-Profit Continuing Cooperative Housing Associations will be selected, wherever demand may exceed the allocation in a market area, on the basis of a competitive process. This process will be described in Schedule B of the Operating Agreement and will allow the objective comparison of proposals and will give equal weight on the basis of criteria and cost-effectiveness measurements acceptable to both parties prior to the awarding of proposal development funding or a conditional allocation. Where demand is less than the allocation in a market area, BCHMC will take steps to ensure the development of appropriately targeted and cost-effective projects.

6. COMMITMENT

6.1 Proposal Development Funding

A proposal development funding loan commitment is deemed made each time BCHMC approves a proposal development loan or loan increase, to a cumulative maximum of \$75 000 for each eligible project.

- 10 -

The reporting of budget take-up shall be dollars of capital committed. Dollars of capital equals the amount of the loan approved at each stage of project selection.

## 6.2 Criteria for Project Commitment

Prior to approving a commitment of subsidy assistance or requesting CMHC to approve an undertaking to insure, BCHMC will ensure that each commitment application meets all the Non-Profit Housing Program criteria and guidelines, without conditions which are beyond the power of the contracting parties to fulfill within the calendar year in which the commitment is made, and Section 13 of the Operating Agreement, where applicable.

### 6.2.1 Subsidy Assistance:

A commitment of subsidy assistance is deemed made when BCHMC approves a notice of commitment guaranteeing the provision of federal assistance under Section 56.1 of the Act and provincial assistance under the Ministry of Lands, Parks and Housing Act, subject to the execution of this agreement for provincially owned projects and a project operating agreement between BCHMC and the owner of all other projects. The project operating agreement will be in a form satisfactory to CMHC and BCHMC.

### 6.2.2 Term of Subsidy Commitment:

The approved notice of commitment obligates BCHMC and CMHC to provide operating assistance to the project for a period of 35 years or the useful life of the project as agreed to by CMHC and BCHMC, whichever is less.

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6.2.3 Reporting Commitments:

The reporting of the authorized budget take-up shall be in terms of the number of Units committed to be reported on a monthly basis as specified in the Operating Agreement. "Unit" means a Unit or bed where a Unit is a self-contained dwelling in detached or multiple housing form to be occupied by one eligible household; and a "bed" is the bed to be occupied by each individual resident in a special purpose housing project or hostel.

6.2.4 Loan Insurance:

An undertaking to insure capital financing is deemed made when CMHC approves an undertaking to insure under Part I of the Act.

6.2.5 Commitment Notification/Publicity:

All news releases or announcements pertaining to an allocation or commitment to a project will be in accordance with the Operating Agreement and Program Guidelines.

7. ADVANCING

7.1 Proposal Development Funding Loans

BCHMC will be responsible for approving and making accountable advances on proposal development funding loans, on behalf of CMHC and BCHMC. Such advances shall be secured by a promissory note and repayable from the first project loan advance.



7.2 Insured Loan Advances

BCHMC will be responsible for approving progress advances in accordance with Program Guidelines which will be made only after it has entered into a project operating agreement with each private non-profit, non-profit continuing cooperative or municipal public non-profit project sponsor. BCHMC will provide CMHC reasonable access to all records and documentation pertaining to the authorization of insured loan advances.

7.3 Construction

BCHMC will be responsible for inspecting and monitoring all projects during construction to ensure compliance with all applicable codes, standards and Program Guidelines.

7.4 Final Costs

BCHMC will provide CMHC with a certified statement of final capital costs prepared in accordance with Program Guidelines for all approved projects no later than six months after the Interest Adjustment Date as defined in and on a form specified in Program Guidelines.

8. PROJECT/PORTFOLIO ADMINISTRATION

8.1 Project Operating Agreements

All private non-profit, non-profit continuing cooperative and municipal public non-profit sponsors will enter into a project operating agreement, in a form specified in Program Guidelines, with BCHMC before receiving a

- 13 -

commitment for subsidy assistance. Without limiting its scope, the project operating agreement will specify:

Publicity measures, rentals (tenant income verification, rent adjustments and application of the rent-to-income scale); leasing of housing Units; contributions; other assistance; sale of project/Units; care facilities/special purpose housing; project management; commercial and non-residential facilities; annual review; encumbrances; articles of incorporation/charges; books; accounts; audits; loan repayment; replacement reserves; discrimination; retention of documents; default; mortgage rollover; and interest rates.

Where BCHMC owns a project, all the above provisions of a project operating agreement shall apply and this Schedule shall be deemed to be the project operating agreement referred to in Section 91.1 of the National Housing Loan Regulations.

## 8.2 Project Administration

### 8.2.1 Project Advances:

BCHMC will ensure public and private non-profit and continuing cooperative housing sponsors are advanced sufficient funds to cover project operating losses during the course of their fiscal year.

### 8.2.2 Calendar Year Summary Report:

BCHMC will ensure that for each project approved under this Program, the sponsor/owner submits an annual

- 14 -

report, certified by an independent public accountant, that lists the subsidies received by the project by month for the twelve months ending 31 December.

8.2.3 Project Monitoring:

BCHMC will monitor and undertake regular on-site inspections and financial reviews to ensure that project sponsors manage their projects prudently and cost-effectively and continue to respect all conditions in their project operating agreements during the period of the insured loan and payment of federal and provincial subsidies.

8.2.4 Modernization and Improvement:

A comprehensive portfolio management strategy pertaining to modernization and improvement will be explicitly identified in the annual budget in Schedule B of the Operating Agreement. This will describe planned expenditures in excess of \$100 000 per project or \$1000 per Unit in any one year. Any budget for modernization and improvement in excess of these limits that is not approved as part of the comprehensive strategy will be approved by CMHC on a project basis. The limits of \$100 000 per project and \$1000 per year will be reviewed periodically.

8.2.5 Prepayment:

The prepayment of the outstanding loan balance, the sale of a project/Unit or a change in a project's charter can only take place with the approval of CMHC and BCHMC.

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8.2.6 Management Training:

BCHMC may provide training and other aids to assist public, private non-profit sponsors and continuous cooperative groups to manage their projects effectively. Such expenditures can be cost shared and will be charged against management/administration, within a projects annual operating budget.

8.2.7 Projects in Difficulty:

In the event that projects get into financial difficulty, BCHMC will advise CMHC and secure its approval of any solution or action that will affect the amount of the financing or the amount of subsidy assistance paid each year on the basis of eligible project costs.

8.3 Income Verification

BCHMC will ensure that all project sponsors verify, at least annually, the adjusted income of the households occupying Units in the project and will take steps to ensure that the rent to be charged is adjusted accordingly and in a manner described in Appendix "1" of this Schedule.

8.4 Portfolio Administration

BCHMC will participate with CMHC and other provincial and territorial housing corporations in addressing portfolio management problems, issues and opportunities, in an ongoing effort to achieve economies and efficiencies.



9. ELIGIBLE PROGRAM COSTS:

The eligible Program costs will be shared 67 percent by Canada and 33 percent by British Columbia.

9.1 Non-Budgetary Expenditures

CMHC and BCHMC will share the cost of eligible non-budgetary expenditures associated with interest-free proposal development funding loans to assist private non-profit and continuing cooperative sponsors to develop project proposals.

9.2 Budgetary Expenditures

9.2.1 Proposal Development Funding:

Eligible budgetary expenditures include the interest costs on proposal development funding loans for the period between when funds are advanced and the loan is repaid out of the first loan advance. If the project does not proceed to commitment, the forgiveness of these loans will also be shared.

9.2.2 Project Operating Losses:

Subsidies for the eligible portion of projects without on-site care or support services are based on the difference between the eligible portion's share of actual annual operating costs and revenues, with rents based on household adjusted incomes and the rent-to-income scale as specified in Appendix "1" of this Schedule.

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BCHMC may utilize a rental scale of its own but operating losses eligible for assistance from Canada will be determined on the basis of whichever of the British Columbia scale or the Federal Rent-to-Income Scale produces the lowest annual operating losses. Any scale in use must be attached in Appendix "1" and must not result in occupant households remaining in core housing need.

Without limiting the scope, listed below are the revenue and expense line items which are acceptable to CMHC for cost-sharing:

- . Revenues: rents; parking; laundry; other.
- . Operating: taxes; insurance; maintenance; management; janitor; space heating; electrical power; water; sewer; garbage removal; modernization/improvement/regeneration; replacement reserves (for private non-profit and continuing cooperatives only); training; depreciation (equal to principal reduction on loan) and loan interest.

Subsidies for special purpose projects shall not exceed the difference between (a) the amount required to amortize the eligible project costs within the Maximum Unit Price of the housing project at an interest rate acceptable to CMHC over thirty-five years or the life of the project, whichever is less; and (b) the amount required to amortize the eligible cost of the project if the interest rate charged on such costs were two percent per annum calculated semi-annually and not in advance.

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9.2.3 Program Delivery and Administration:

Budgetary costs include the eligible costs of delivery and administration and shall be based on performance standards acceptable to CMHC and BCHMC.

9.2.4 Financing Interest:

Any financing interest payable on budgetary receipts and disbursements will be calculated at an interest rate acceptable to CMHC and BCHMC. Interest in such cases will be calculated on net expenditures to the date of reimbursement.

9.2.5 Publicity:

The cost of Program and project publicity measures and materials as agreed upon by the BCHMC and CMHC are eligible Program costs.

10. BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims are outlined in Appendix "3" to this Schedule and specified in Program Guidelines.

11. INFORMATION REQUIREMENTS

BCHMC will ensure that all information requirements outlined in Appendix "2" of this Schedule and specified in Program Guidelines, are provided to CMHC.

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Proposal development funding commitment information will be provided no later than 30 days following the month a commitment is made.

Where a competitive selection process for conditional allocations is being held prior to full project commitment, summary information on each project accepted and rejected will be provided by BCHMC to CMHC within 30 days following selection but no later than 30 September of the year in progress.

Commitment data will be provided no later than 30 days following the month a commitment is made. This information and updates to commitment data communicated previously will be sent in monthly bundles by BCHMC to CMHC.

Special Program or project details permitting the drafting and distribution of news announcements pertaining to Program and project allocations and commitments will be described in Program Guidelines.

Information pertaining to clients served by the Program will be obtained once a year and no later than 31 March of the subsequent year. This will provide details on clients served in all Units under administration or receiving subsidies through this agreement, as at 31 December of that year. Annual client data may be provided on the basis of a sample of projects, which is mutually agreed upon in advance by BCHMC and CMHC.



- 20 -

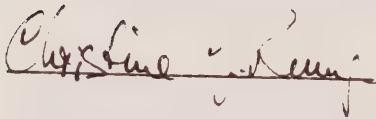
Annual project operating data will support the final audited statement of expenditure and this, along with the sample client information, will be used as the basis for adjustments in federal payments of subsidy assistance, if necessary.

In Witness Whereof, the parties hereto have set their hands and seals in execution of these presents.

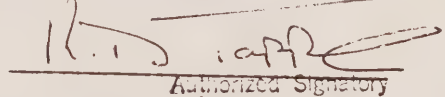
Signed at \_\_\_\_\_ this 7 day of July  
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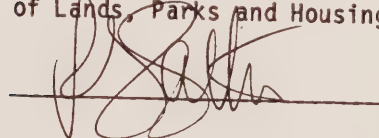
  
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Canada Mortgage and  
Housing Corporation

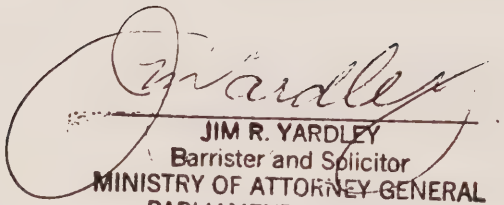
  
Authorized Signatory

  
Authorized Signatory

Government of the Province  
of British Columbia as  
represented by the Minister  
of Lands, Parks and Housing



British Columbia Housing  
and Management Commission

  
JIM R. YARDLEY  
Barrister and Solicitor  
MINISTRY OF ATTORNEY GENERAL  
PARLIAMENT BUILDINGS  
VICTORIA, B.C.

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## PROGRAM ELIGIBILITY

### DEFINITION OF TOTAL HOUSEHOLD INCOME

For purposes of determining eligibility under this Program, total household income is the total income of the household (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.

## FEDERAL RENT-TO-INCOME SCALE

### DEFINITION OF INCOME FOR DETERMINING BENEFITS

For purposes of establishing the rent to be paid, BCHMC will assess the annual "adjusted income" of the household in the following manner:

- . Assess the income, in whatever form received, of each member of the household; income includes for example:
  - salary, wages, commissions, rents, investment income, part-time earnings, tips, alimony maintenance payments and child support received from a separated or divorced spouse;
  - Unemployment Insurance Benefits, Social Assistance, Mother's Allowance, Welfare;
  - Old Age Security Pension, Guaranteed Income Supplement, CPP/QPP pension, private pensions or annuities;
  - the first \$5 800 income, in whatever form received, of children or dependents of the household.
- . Exclude from income the following, for each household member, if applicable:
  - family allowances, if they were included previously;
  - living-out or travelling allowances of any household member;
  - monies received from insurance settlements, inheritance, disability awards, sale of effects, capital gains;
  - the income, in whatever form received, of children or of dependents, if such children or dependents are in full-time school attendance;
  - work-related earnings of a single parent, working spouse or any other household member, excluding the household head, up to \$1 000 per year per qualifying household member;
  - for children or dependents not in full-time school attendance, the above-noted \$1 000 deduction can be applied against income in whatever form received.
- . Calculate the total income of all household members, after having considered all eligible income exclusions. The result of this is the "annual adjusted income" of the household.

For the purpose of this rent-to-income scale, a child is a person, related by blood or marriage to other members of the household, and of 25 years of age or less. A dependent is a member of the household who is considered a dependent of another member of this household per the requirements of Revenue Canada. A dependent of 25 years of age or less qualifies for the same income definitions and exclusions provided to children of the household.

If any member of the household is self-employed, the work-related earnings of this household member will be the annual net income, as defined by Revenue Canada, before any personal income tax deductions, plus any capital cost allowance used in the determination of the above net income.

In all cases, a verification/confirmation of the income of household members must be obtained; for example, a statement signed by the employer, or in the case of the self-employed, a copy of the most recent income tax return or other evidence satisfactory to BCHMC.

For the purpose of calculating rent, boarders are considered as members of the household and their income shall be considered on the same basis as other household members in the determination of the rent. Room and board paid to the household head or spouse will not be considered as part of the household's income.

### BASIC RENT

The basic rent will be determined on the basis of the household's annual "adjusted income", calculated on a monthly basis, and as applied against the following rent-to-income table.

#### RENT-TO-INCOME TABLE

##### MONTHLY INCOME AND RENT

Adjusted Income (\$)	Per Cent	Adjusted Income (\$)	Per Cent
192	16.7	349	23.8
201	17.4	358	24.0
210	18.1	367	24.3
220	18.6	376	24.5
229	19.2	386	24.6
238	19.7	395	24.8
247	20.2	404	25.0
256	20.7	416	25.0
266	21.1	428	25.0
275	21.5	440	25.0
284	21.8	452	25.0
293	22.2	464	25.0
303	22.4	476	25.0
312	22.8	488	25.0
321	23.1	500	25.0
330	23.3	508 and up	25.0
340	23.5		

If the household is in receipt of social assistance, whether or not social assistance is the principal source of income, the basic rent will be the greater of the shelter component of welfare or the rent as determined on the basis of the above table, in conjunction with the household's total adjusted income.

RENT ADJUSTMENTS

- The basic rent is that payment required on the part of the occupant(s) of the dwelling for fully serviced accommodation supplied with heat, water, hot water, stove and refrigerator.
- Where the client of the Program must pay for any of the services identified as part of a fully serviced Unit over and above their basic rent, such basic rent will be reduced by an amount which will take into account the client's additional expenses.
- Where services other than those identified as part of a fully serviced Unit are provided, the basic rent will be increased to reflect the full economic costs of providing such services.
- There will be no rent maximum set unless specifically approved by CMHC.
- For a fully serviced Unit, no rent will be set lower than \$32 per month.
- For an unserviced Unit, no rent will be set lower than \$22 per month.

CLIENT INCOME FLUCTUATIONS

A client's rent will be set once a year and that rent will not be adjusted during the year for income increases. Rent reductions during the year will however be permitted in instances where a client household supplies documented evidence that its income has decreased to a level which would result in a rent reduction of \$10 per month or more.



BRITISH COLUMBIA RENT SCALE

The tenant rent contribution shall not exceed a set percentage, as determined from time to time by the Minister, of the gross adjusted family income for all members of the household and shall include income from earnings, all pension plans, Handicapped Person's Allowance, Disabled Veteran's Allowance and assets.

The following are currently exempt from inclusion as income:

1. Family Allowances
2. Capital gains, such as insurance, settlements, inheritances, disability awards, and sale of effects in the year they are received.
3. \$100.00 per month for each employed family member.
4. The earnings of children in regular attendance at recognized institutions of learning, including scholarships and tuition bursaries.
5. Living out or travelling allowances of the family head.

Assets refers to stocks and bonds, real estate, cash and other items of an income earning nature. Income from assets is presently determined by exempting the first \$3 000.00 from total assets and computing the balance at seven percent per annum.

The tenant's rent contribution of persons in receipt of social allowances will be fixed at a set percentage, as determined from time to time by the Minister, of their gross incomes, regardless of the amount of their "shelter allowance".

The Ministry reserves the right to change any part of this Schedule at any time.

INFORMATION REQUIREMENTS: SUMMARY

Pre-Commitment (for Competitive Situations ONLY):

- this data is provided following the completion of conditional unit allocations;
- the following generic data elements are provided for each project accepted or rejected in the project selection process:
  - sponsor's name and address;
  - proposed project's description:
    - location codes,
    - client type,
    - number of units by unit and building form,
    - new and existing,
    - maximum unit price;
  - proposed project costs:
    - total estimated costs,
    - cost (less equity) to MUP ratio,
    - equity contribution;
  - reasons for refusal of proposal (in narrative form).

Commitment Data:

- this data is submitted by way of a Notice of Commitment in monthly bundles;
- the Notice of Commitment form contains the following generic data elements:
  - client type served;
  - project location, codes and address;
  - applicant details, type, name and address;
  - proposal development funding (PDF):
    - amount approved,
    - amount previously approved,
    - account identification information;
  - project description:
    - description of building,
    - number of eligible and ineligible units by unit and building type,
    - use of floor area,
    - maximum unit price;
  - financial data pertaining to eligible and ineligible portions:
    - project financing, amount, terms, rates,
    - equity,
    - grants;
  - project eligible and ineligible capital costs:
    - land,
    - improvements (acquisition, construction, renovation, soft costs),
    - appraisal estimate;
  - project eligible and ineligible operating data:
    - eligible costs and revenues,
    - other costs and revenues,
    - subsidies, amount and sources;

Commitment Data: (Cont'd)

- project procurement and acquisition technique;
- account identification information.
- this information, or part of it will be updated through a project's life cycle (eg. at commitment of PDF and Section 56.1 assistance, at establishment of IAD, at final audited capital costs).

Client Data:

- this data is provided once a year and pertains to those eligible clients receiving assistance that year;
- the data provided will pertain to: (may be obtained through sampling of client records)
  - household composition,
  - household income and its source,
  - presence of special needs,
  - size and type of dwelling occupied,
  - rent paid,
  - condition and affordability of household's previous dwelling (only for clients newly served during the year).

Project Operating Data:

- this data is provided once a year and contains the following generic data elements segregated for eligible and ineligible costs and revenues as applicable:
  - amortization (principal and interest),
  - project operating costs (such as financing charges, utilities, maintenance and replacement reserves),
  - project revenues (such as rents, parking and laundry),
  - management expenses,
  - modernization and improvements,
  - amount of subsidy paid each month to the project for the twelve-month period ending 31 December.

The financial reporting requirements for budgeting and claims can be grouped by the following categories:

- A. Budget Preparation
- B. Budget Administration
- C. Commitments
- D. Claims
- E. Annual Information - Audited  
                                    - Unaudited
- F. Budgetary Expenditure Accruals

For the Non-Profit Program, all budgeting, claims and reporting will be segregated into the following activities unless otherwise indicated:

- Non-profit - Private - Regular  
Non-profit - Private - Special Purpose  
Non-profit - Co-ops  
Non-profit - Public - Regular  
Non-profit - Public - Special Purpose  
Proposal Development Funding

### A. BUDGET PREPARATION

A three-year financial plan is developed on an annual basis as part of the joint planning process. It identifies planned commitment levels, expenditure levels, and cash flow patterns over the planning period which includes the budget year and the following two years. Commitment activity is planned on a calendar basis whereas expenditure activity is planned on a 31 March fiscal year basis. Annually, a cash flow is presented on a quarterly basis for a five-year period. Commitment, expenditure and cash flow estimates for the year preceding the budget year and the two years following the budget year are presented for planning, information and monitoring purposes only.

Budget limits for the budget year are established in Schedule B to the Operating Agreement.

Three year plans will be established by activity for the following areas:

1. Commitments - Units
  2. Commitments - Non-budgetary
  3. Budgetary Expenditures
  4. Cash Flow Forecast - Budgetary  
- Non-budgetary
1. Commitments - Units

Schedules of Units committed and Units placed under subsidy will be used to derive the forecasts of budgetary expenditures.

Data on characteristics of the proposed Units (split between new construction and existing construction, average Unit capital cost, total capital costs of the Units that will be amortized, projected interest rates, average length of the subsidy, amortization terms, average annual operating costs and proposed dates of subsidy commencement ("phase-in rates")) will be required to support the calculations of budgetary expenditures.



A. BUDGET PREPARATION (Cont'd)

2. Commitments - Non-budgetary

Commitments for Proposal Development Funding will be expressed in terms of non-budgetary dollars required. The projected average loan amount and the number of Units/projects assisted by Proposal Development Funding will also be provided. Commitments required in accordance with the Loan Insurance Agreement to finance the acquisition of a project in default will be expressed in terms of non-budgetary dollars required.

3. Budgetary Expenditures

For Non-profit, budgetary expenditures will be displayed by the following types of expenditure: operating costs, revenues, amortization, modernization and improvement, delivery and administration costs, and financing interest.

For Proposal Development Funding, the amount of loan forgiveness and the interest rate losses arising from the provision of interest-free loans will be provided.

Funds required to administer projects acquired in accordance with the Loan Insurance Agreement will be reported separately.

4. Cash Flow - Budgetary

A summary of the expected quarterly cash flow of budgetary expenditures will be provided to assist in cash management.

- Non-budgetary

A summary of the expected quarterly cash flow of non-budgetary expenditures for Proposal Development Funding will be provided to assist in cash management.

B. BUDGET ADMINISTRATION

The approved annual budget is contained in Schedule B of the Operating Agreement. Changes to an approved budget must be determined and communicated in accordance with the Operating Agreement and the guidelines.

C. COMMITMENTS

A summary statement of commitment activity for the month is to be submitted within five working days of month end to permit timely monitoring and reporting of committed and uncommitted budgets. This statement is to be supported by a detailed listing by account number for each new commitment made in the month and of any change in that month to commitments made previously. This listing will be used to ensure that all individual commitment forms are transmitted by BCHMC.

Commitment activity will be split between current year's and increases, decreases and cancellations of prior years' commitments. Commitments for assistance under the Non-Profit Program will be reported in Units; commitments for Proposal Development Funding will be reported in capital (non-budgetary) dollars.

#### D. CLAIMS

Claims for settlement between BCHMC and CMHC will be submitted on a monthly basis within thirty days of the end of the month to which the transactions relate. Claims will contain sufficient information to permit:

- a) interim verification that the amounts being claimed or remitted are reasonable and within approved budgets;
- b) the recording of the necessary accounting entries relating to budgetary and non-budgetary expenditures and asset balances; and
- c) the monitoring of the status of the portfolio through continuity schedules of Units committed, Units under subsidy and asset balances.

The entire financial activity of the Program shall be reported by BCHMC, together with each party's proportionate share of expenditures.

Material budgetary expenditures related to prior year accruals will be reported.

Amounts claimed for budgetary expenditures may be based upon estimates of actual activity. Estimates must be adjusted to actual on a periodic basis in accordance with Program Guidelines.

The monthly claim for the Non-Profit Program will include:

##### 1. Continuity Schedule: Units Committed/Under Subsidy

This schedule is required to monitor the number of Units that have been committed in the Program, those that are receiving subsidies, and those that are committed but not yet receiving assistance ("outstanding commitments").

Information provided includes the number of Units committed, cancelled, or placed under subsidy during the month, and the number of Units receiving subsidies during the month.

##### 2. Continuity Schedule: Proposal Development Funding Loans

This report is required to monitor the number and amount of loans that have been committed, advances on those loans, outstanding commitments, loans forgiven and loan repayments.

##### 3. Expenditures

A report of actual expenditures made or an estimate of expenditures incurred during the month is required to monitor the financial impacts of the Program and to inform CMHC of its share of the expenditures.

The expenditures will be displayed by Program activity and the following expenditure categories: net operating subsidies for eligible Units, delivery and administration costs, financing interest, and Proposal Development Funding. Data will be provided to support the delivery and administration costs claimed. It is not necessary to provide detailed object of expenditure information in support of the amounts claimed monthly for delivery and administration costs.

The report will also disclose the respective share of the expenditures of BCHMC and CMHC and the amounts for which reimbursement is being requested by BCHMC.

E. ANNUAL INFORMATION - AUDITED

The audited statement of budgetary and non-budgetary expenditures will provide an independent verification of the proper use of funds in accordance with the Operating Agreement and Program Guidelines and will be used to determine the final amount payable to or recoverable from BCHMC for the calendar year ending 31 December.

The audited statement and its supporting schedules will contain information at a level similar to that provided on the monthly claims.

This statement and its supporting schedules will be accompanied by operating data at the project level as outlined in Appendix "2" (Information Requirements) of this Schedule, and summarized by Program activity. Project level data will include information on both eligible and ineligible costs and on designated and non-designated Units. Project level data will be provided on a calendar year basis and will be reconciled in total to the calendar year expenditure amounts. Project level operating data will be audited in accordance with Program Guidelines. Budgetary expenditures will be broken down by year of commitment in a supporting schedule. This schedule does not require audit.

Audited information will be submitted no later than 31 July.

ANNUAL INFORMATION - UNAUDITED

Annual outstanding commitment and asset balance information as at 31 December will be submitted for planning and monitoring purposes and to support information contained in CMHC's records.

Outstanding commitment information will be classified by year of commitment approval. This will include detailed listings of projects committed and not yet receiving assistance and proposal development funding not fully advanced.

This information is required to reconcile the detailed asset and commitment files maintained by CMHC to those of BCHMC.

Unaudited information must be submitted to CMHC no later than 31 January.

F. BUDGETARY EXPENDITURE ACCRUALS

Material budgetary expenditures which have been incurred but not disbursed within the fiscal year ending 31 March and which, in accordance with Program Guidelines, should be charged to the budget for that year, will be reported by BCHMC by 30 April. This information will be certified by a senior financial officer of BCHMC.



RENT SUPPLEMENT PROGRAM  
BRITISH COLUMBIA

Agreement between "Canada Mortgage and Housing Corporation" (CMHC) and "Ministry of Lands, Parks and Housing" (LPH) and "British Columbia Housing Management Commission" (BCHMC).

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This Program will be delivered and administered by the Ministry of Lands, Parks and Housing as represented by its agent, the British Columbia Housing Management Commission.

1. OBJECTIVE

To assist households in need to obtain affordable, adequate and suitable rental housing by subsidizing rents in eligible rental dwellings.

2. PROGRAM DESCRIPTION

The Rent Supplement Program provides assistance to households in need by reducing the rent paid to a specified proportion of their income. The assistance is based on the difference between an agreed upon market rent and the rent charged according to a rent-to-income scale and based on the household's adjusted income, as defined in Appendix "1" to this Schedule. To make this assistance available, BCHMC and a landlord or housing cooperative sign an agreement, designating a number of housing Units to be subsidized. The assistance provided for each Unit will be cost-shared 67 percent by Canada and 33 percent



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by British Columbia. The assistance will be available for a maximum term of 35 years. BCHMC, its agencies or housing cooperatives select households in need to be occupants of the Unit.

For the purpose of this Schedule, BCHMC shall be considered as the eligible contribution recipient under Section 56.1 of the Act and this Schedule shall be deemed to be the agreement referred to in Section 91.(1) of the National Housing Loan Regulations.

Enabling Federal Legislation

National Housing Act:

- . Section 56.1

Enabling Provincial Legislation

Ministry of Lands, Park and Housing Act:

3. ELIGIBILITY CRITERIA

3.1 Owners

Agreements can be made between BCHMC and landlords or housing cooperatives. Housing Units receiving other ongoing federal or provincial social housing assistance are not eligible unless such assistance is provided under Sections 15, 15.1 or 34.18 of the Act, subject to the provisions set out in subsection 8.2, or funding under Section 34.1 for the Residential Rehabilitation Assistance Program for the Disabled.

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### 3.2 Clients

Eligible clients are those households in core housing need, as defined in the Global Agreement, with total household income as defined in Appendix "1" which falls below the core need income threshold, and those with special purpose housing need.

### 3.3 Projects

BCHMC will ensure that all Units selected comply with minimum property standards referred to in Program Guidelines.

### 3.4 Client Selection

BCHMC or its agencies will ensure that all households selected to live in housing Units assisted under this Program are households in need. Where Rent Supplement Units are provided to housing cooperatives funded through the Federal Cooperative Housing Program, 50 percent of the Units will be occupied by eligible clients selected from public housing waiting lists and the remaining 50 percent will be selected by housing cooperatives.

## 4. ELIGIBLE PROJECT COSTS/ASSISTANCE

### 4.1 Unit Maintenance Costs

Eligible Unit maintenance costs are costs incurred to repair abnormal damages caused by clients of the Program or decoration expenses needed above those required of landlords or housing cooperatives as specified in sub-section 7.4 of this Schedule. Such costs will be limited to one-half the monthly Unit rental charge.

4.2 Assistance/Eligible Costs

The assistance is based on the monies required to pay the difference between the rent paid by the Rent Supplement client and a market rent which would be reasonable, given the characteristics of the Unit and market conditions, and which will have been agreed to by BCHMC in its agreement with the owner of the Unit. Monies may be paid if the Unit is vacant, subject to subsection 7.6 of this Schedule and as specified in Program Guidelines.

5. PROJECT SELECTION/DELIVERY PROCESS

5.1 Targeting

With the exception of Rent Supplement Units for the Federal Cooperative Housing Program, BCHMC will ensure that all Units in this Program are allocated within the geographic areas specified in the Operating Agreement and to priority groups in accordance with the approved three-year plan attached as Schedule B of the Operating Agreement. Rent Supplement Units for the Federal Cooperative Housing Program will be made available to cooperative projects committed by CMHC, as set out in the approved three-year plan.

CMHC will consult with BCHMC on the geographic distribution of the Federal Cooperative Housing Program allocation as part of the joint planning process. However, decisions on individual project selection and

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the number of rent supplement Units in individual projects, within the maximum 30 percent of the total co-op Unit allocation, rests with CMHC.

Taking into account the planning process, BCHMC will assist families and senior citizens within the priority groups with the intent to direct assistance in accordance with their share of core housing need relative to each other. Within the core housing need income limits, the number of Units directed to households at the upper income levels will not exceed their proportionate share of need.

## 5.2 Project Selection

BCHMC will ensure that Units providing the best value for money are selected. Where possible, an invitational tender or proposal call process should be used in the selection of projects and Units. In selecting Units, BCHMC will inspect the Units to be designated for receipt of Rent Supplement assistance to ensure that they comply with housing standards acceptable to CMHC and BCHMC.

BCHMC may permit clients to select their own Unit providing that the rent required for that Unit does not exceed a level established by CMHC and BCHMC, that the Unit meets all Program criteria, and that it is made clear to the client that the Rent Supplement assistance remains with the Unit and does not follow the client should that client decide to move to other premises.



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In allocating its Units, BCHMC will also ensure that 30 percent of the Units available through the Federal Cooperative Housing Program, are provided Rent Supplements, as set out in Schedule B of the Operating Agreement.

6. COMMITMENT/AGREEMENTS

6.1 Commitment

A commitment is a written undertaking to subsidize a specifically identified number of Units and to incur budgetary expenditures related thereto.

A commitment is deemed to have occurred once an agreement is signed between BCHMC and a landlord or housing cooperative, for a specified number of housing Units which will be subsidized.

Upon BCHMC signing the initial agreement described above, Canada and British Columbia commit to each other to provide assistance to that Unit, subject to the reallocation provisions of 7.6, for a period of 35 years.

The reporting of the authorized budget take-up will be the number of Units committed. "Unit" means a Unit or bed where a Unit is a self-contained dwelling in detached or multiple housing form to be occupied by one eligible household; and a "bed" is the bed to be occupied by each individual resident in a special purpose housing project or hostel.

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Commitment documentation is to be communicated by BCHMC to CMHC by way of a notice of commitment form provided in Program Guidelines.

6.2 Commitment Notification/Publicity

All news releases or announcements pertaining to an allocation or commitments to a project will be in accordance with the Operating Agreement and the Program Guidelines.

6.3 Agreement with Owners

BCHMC will ensure that the terms and conditions of the agreement with landlords or eligible housing cooperatives will be as approved by CMHC and BCHMC, and without limiting their scope, will contain references to: occupant selection; term of leases; security deposits; lease renewals; Unit vacancies; Unit maintenance; timing of payments to the owner; and renewal of the agreement.

7. PROJECT/PORTFOLIO ADMINISTRATION

7.1 Income Verification

BCHMC will ensure that the adjusted income of the household occupying the Rent Supplement Unit is verified at least annually and will take steps to ensure the rent to be charged is adjusted accordingly and in a manner described in Appendix "1" of this Schedule.

7.2 Rent Review

Rents charged by landlords or housing cooperatives will be reviewed and agreed to yearly by BCHMC. In situations

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where BCHMC has agreed to rent adjustments based on escalation clauses, the conditions associated with making such adjustments will be reviewed.

7.3 Duration of Leases

BCHMC will ensure that all leases between the landlord or housing cooperative and the tenant will be for a term of one year or more. Where BCHMC agrees to leases of less than one year, it will be for exceptional reasons or for purposes of incurring subsequent lease renewals at a specific date common to all the party's rent supplement portfolio.

7.4 Maintenance of Units

BCHMC will ensure that landlords or housing cooperatives participating in this Program maintain the Units in a state of good repair. This will be achieved by way of on-site inspections carried out with a frequency agreed to by CMHC and BCHMC.

7.5 Repair of Units/Redecoration

BCHMC will agree to incur expenses to repair abnormal damages done by the occupants of Rent Supplement Units. Such costs will be limited to one-half the monthly Unit rental charge. BCHMC will also agree to incur expenses to redecorate the Units if required prior to the cyclical maintenance of Units by the landlord or housing cooperative, as described in subsection 7.4 of this Schedule.

7.6 Unit Reallocation

A Rent Supplement commitment is for a term of 35 years. Within this 35-year period, a Unit designation may be transferred to another Unit or project of comparable cost upon expiry of the agreement with the landlord or housing cooperative, or may be renewed for the same Unit.

During the period of agreement with the landlord or housing cooperative, if a household becomes ineligible or vacates a Unit, BCHMC may, with the consent of the landlord or cooperative, revoke the Unit designation and transfer it to another housing Unit or project of comparable cost for the remaining term of the 35-year commitment.

A maximum of nine months may occur between the revocation of a Unit designation or the expiration of the landlord or co-op agreement and its redesignation to another project or Unit. After such nine months, the remaining portion of the 35-year commitment will be withdrawn. No subsidies will be paid between the revocation and redesignation dates.

Where a Unit is transferred to another housing project, it is understood that such Unit will be chosen as part of the selection process as identified in subsection 5.2 of this Schedule. Following this Unit transfer, BCHMC will notify CMHC of the redesignation of the Unit on a notice of commitment form specified in Program Guidelines. CMHC will be notified in the same manner of Unit revocations.



8. ELIGIBLE PROGRAM COSTS

Eligible Program costs will be shared 67 percent by Canada and 33 percent by British Columbia.

8.1 Budgetary Costs

Budgetary costs include:

- . The funds required to pay the difference between the agreed market rent and rents collected from the clients based on adjusted incomes and the rent-to-income scale as specified in Appendix "1" of this Schedule. BCHMC may utilize a rental scale of its own but operating losses eligible for assistance from Canada will be determined on the basis of whichever of the British Columbia scale or the Federal Rent-to-Income Scale produces the lowest operating losses. Any scale in use must be attached in Appendix "1" and must not result in occupant households remaining in core housing need.
- . The Unit repair/redecoration costs as defined in subsection 7.5 of this Schedule.
- . All eligible annual costs of delivery and administration based on performance standards acceptable to CMHC and BCHMC, including fees incurred in delivery.
- . Any financing interest payable on budgetary receipts and disbursements will be calculated at an interest

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rate acceptable to CMHC and BCHMC. Interest in such cases will be calculated on net expenditures to the date of reimbursement.

8.2 Exception

As indicated in subsection 3.1, rent supplement assistance may be made available to clients in non-profit and cooperative projects committed prior to 1979 under Sections 15, 15.1 and 34.18 NHA, provided that British Columbia has matched the financial assistance provided by Canada through these sections of the Act and as specified in Program Guidelines.

9. BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims are outlined in Appendix "3" to this Schedule, and detailed in Program Guidelines.

10. INFORMATION REQUIREMENTS

BCHMC will ensure that all information requirements outlined in Appendix "2" to this Schedule, and specified in Program Guidelines are provided to CMHC.

Commitment data will be provided no later than 30 days following the month a commitment is made. This information and updates to previously communicated commitment data will be sent in monthly bundles to CMHC.

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Information pertaining to clients served by the Program will be obtained once a year and no later than 31 March of the subsequent year. This will provide details on clients served in all Units under administration, or receiving subsidies through this Program, as at 31 December of that year. Annual client data may be provided on the basis of a sample of projects, which is mutually agreed upon in advance by BCHMC and CMHC.

Annual project operating data will support the final audited statement of expenditure and this, along with the sample client information, will be used as the basis for adjustments in federal payments of subsidy assistance, if necessary.

RENT SUPPLEMENT PROGRAM  
BRITISH COLUMBIA

SCHEDULE A - 2

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In Witness Whereof, the parties hereto have set their hands  
and seals in execution of these presents.

Signed at \_\_\_\_\_ this 7 day of July  
nineteen hundred and eighty-six in quadruplicate.

WITNESSED BY:

SIGNED BY:

Christine S. Rung

Canada Mortgage and  
Housing Corporation

R. D. [Signature]  
Authorized Signatory

[Signature]  
Authorized Signatory

[Signature]  
JIM VARDLEY  
Solicitor  
MINISTER OF LANDS, PARKS AND HOUSING  
GENERAL BUILDINGS  
VICTORIA, B.C.

Government of the Province  
of British Columbia as  
represented by the Minister  
of Lands, Parks and Housing

[Signature]

British Columbia Housing  
and Management Commission



## PROGRAM ELIGIBILITY

### DEFINITION OF TOTAL HOUSEHOLD INCOME

For purposes of determining eligibility under this Program, total household income is the total income of the household (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.

## FEDERAL RENT-TO-INCOME SCALE

### DEFINITION OF INCOME FOR DETERMINING BENEFITS

For purposes of establishing the rent to be paid, BCHMC will assess the annual "adjusted income" of the household in the following manner:

- . Assess the income, in whatever form received, of each member of the household; income includes for example:
  - salary, wages, commissions, rents, investment income, part-time earnings, tips, alimony maintenance payments and child support received from a separated or divorced spouse;
  - Unemployment Insurance Benefits, Social Assistance, Mother's Allowance, Welfare;
  - Old Age Security Pension, Guaranteed Income Supplement, CPP/QPP pension, private pensions or annuities;
  - the first \$5 800 income, in whatever form received, of children or dependents of the household.
- . Exclude from income the following, for each household member, if applicable:
  - family allowances, if they were included previously;
  - living-out or travelling allowances of any household member;
  - monies received from insurance settlements, inheritance, disability awards, sale of effects, capital gains;
  - the income, in whatever form received, of children or of dependents, if such children or dependents are in full-time school attendance;
  - work-related earnings of a single parent, working spouse or any other household member, excluding the household head, up to \$1 000 per year per qualifying household member;
  - for children or dependents not in full-time school attendance, the above-noted \$1 000 deduction can be applied against income in whatever form received.
- . Calculate the total income of all household members, after having considered all eligible income exclusions. The result of this is the "annual adjusted income" of the household.

For the purpose of this rent-to-income scale, a child is a person, related by blood or marriage to other members of the household, and of 25 years of age or less. A dependent is a member of the household who is considered a dependent of another member of this household per the requirements of Revenue Canada. A dependent of 25 years of age or less qualifies for the same income definitions and exclusions provided to children of the household.

If any member of the household is self-employed, the work-related earnings of this household member will be the annual net income, as defined by Revenue Canada, before any personal income tax deductions, plus any capital cost allowance used in the determination of the above net income.

In all cases, a verification/confirmation of the income of household members must be obtained; for example, a statement signed by the employer, or in the case of the self-employed, a copy of the most recent income tax return or other evidence satisfactory to BCHMC.

For the purpose of calculating rent, boarders are considered as members of the household and their income shall be considered on the same basis as other household members in the determination of the rent. Room and board paid to the household head or spouse will not be considered as part of the household's income.

#### BASIC RENT

The basic rent will be determined on the basis of the household's annual "adjusted income", calculated on a monthly basis, and as applied against the following rent-to-income table.

#### RENT-TO-INCOME TABLE

##### MONTHLY INCOME AND RENT

Adjusted Income (\$)	Per Cent	Adjusted Income (\$)	Per Cent
192	16.7	349	23.8
201	17.4	358	24.0
210	18.1	367	24.3
220	18.6	376	24.5
229	19.2	386	24.6
238	19.7	395	24.8
247	20.2	404	25.0
256	20.7	416	25.0
266	21.1	428	25.0
275	21.5	440	25.0
284	21.8	452	25.0
293	22.2	464	25.0
303	22.4	476	25.0
312	22.8	488	25.0
321	23.1	500	25.0
330	23.3	508 and up	25.0
340	23.5		

If the household is in receipt of social assistance, whether or not social assistance is the principal source of income, the basic rent will be the greater of the shelter component of welfare or the rent as determined on the basis of the above table, in conjunction with the household's total adjusted income.

RENT ADJUSTMENTS

- . The basic rent is that payment required on the part of the occupant(s) of the dwelling for fully serviced accommodation supplied with heat, water, hot water, stove and refrigerator.
- . Where the client of the Program must pay for any of the services identified as part of a fully serviced Unit over and above their basic rent, such basic rent will be reduced by an amount which will take into account the client's additional expenses.
- . Where services other than those identified as part of a fully serviced Unit are provided, the basic rent will be increased to reflect the full economic costs of providing such services.
- . There will be no rent maximum set unless specifically approved by CMHC.
- . For a fully serviced Unit, no rent will be set lower than \$32 per month.
- . For an unserviced Unit, no rent will be set lower than \$22 per month.

CLIENT INCOME FLUCTUATIONS

A client's rent will be set once a year and that rent will not be adjusted during the year for income increases. Rent reductions during the year will however be permitted in instances where a client household supplies documented evidence that its income has decreased to a level which would result in a rent reduction of \$10 per month or more.

BRITISH COLUMBIA RENT SCALE

The tenant rent contribution shall not exceed a set percentage, as determined from time to time by the Minister, of the gross adjusted family income for all members of the household and shall include income from earnings, all pension plans, Handicapped Person's Allowance, Disabled Veteran's Allowance and assets.

The following are currently exempt from inclusion as income:

1. Family Allowances
2. Capital gains, such as insurance, settlements, inheritances, disability awards, and sale of effects in the year they are received.
3. \$100.00 per month for each employed family member.
4. The earnings of children in regular attendance at recognized institutions of learning, including scholarships and tuition bursaries.
5. Living out or travelling allowances of the family head.

Assets refers to stocks and bonds, real estate, cash and other items of an income earning nature. Income from assets is presently determined by exempting the first \$3 000.00 from total assets and computing the balance at seven percent per annum.

The tenant's rent contribution of persons in receipt of social allowances will be fixed at a set percentage, as determined from time to time by the Minister, of their gross incomes, regardless of the amount of their "shelter allowance".

The Ministry reserves the right to change any part of this Schedule at any time.



INFORMATION REQUIREMENTS: SUMMARY

Commitment Data:

- . this data is submitted by way of Notice of Commitment forms in monthly bundles;
- . the Notice of Commitment forms shall contain the following generic data elements:
  - project location, codes and address;
  - proprietor details, type, name and address;
  - date of agreement and subsidy commencement dates;
  - Unit description;
  - agreed rent and its components;
  - details pertaining to Unit transfers;
  - delivery agent type;
  - account identification information;
  - matching contributions (Sec. 15, 15.1, 34.18).

Client Data:

- . this data is provided once a year and pertains to clients receiving assistance in that year;
- . the data provided will pertain to: (may be obtained through sampling of client records)
  - type of owner (non-profit corporation, housing coop (with or without ILM), private landlord),
  - household composition,
  - household income and its source,
  - presence of special needs,
  - size and type of dwelling occupied,
  - rent paid,
  - previous dwelling conditions (only for households newly served during the year).

Operating Data:

- . this data is provided once a year and contains the following generic data elements:
  - agreed market rents,
  - rents paid by clients,
  - subsidies paid,

For Rent Supplement, budgetary expenditures will be displayed by type of expenditure (agreed market rent, RGI rent, repair/redecoration costs, delivery and administration costs, and financing interest) in accordance with Program Guidelines.



### 3. Cash Flow Forecast - Budgetary

A summary of the expected quarterly cash flow of budgetary expenditures will be provided to assist in cash management.

### B. BUDGET ADMINISTRATION

The approved annual budget is contained in Schedule B of the Operating Agreement. Changes to an approved budget must be determined and communicated in accordance with the Operating Agreement and the guidelines.

### C. COMMITMENTS

A summary statement of commitment activity for the month is to be submitted within five working days of month end to permit timely monitoring and reporting of committed and uncommitted budgets. This statement is to be supported by a detailed listing by account number for each new commitment made in the month and of any change in that month to commitments made previously. This listing will be used to ensure that all individual commitment forms are transmitted by BCHMC.

Commitment activity will be split between current year's commitments and increases, decreases and cancellations of prior years' commitments. Commitments for assistance under the Rent Supplement Program will be reported in Units. Unit redesignation upon Unit transfer is not included in this summary report.

### D. CLAIMS

Claims for settlement between the parties will be submitted on a monthly basis within thirty days of the end of the month to which the transactions relate. Claims will contain sufficient information to permit:

- a) interim verification that the amounts being claimed or remitted are reasonable and within approved budgets;
- b) the recording of the necessary accounting entries relating to budgetary expenditures; and
- c) the monitoring of the status of the portfolio through continuity schedules of Units committed and Units under subsidy.

The entire financial activity of the Program shall be reported by BCHMC, together with each party's proportionate share of expenditures.

Material budgetary expenditures related to prior year accruals will be reported.

Amounts claimed for budgetary expenditures may be based upon estimates of actual activity. Estimates must be adjusted to actual on a periodic basis in accordance with Program Guidelines.

The monthly claim for the Rent Supplement Program will include:

#### 1. Continuity Schedule: Units Committed/Under Subsidy

This schedule is required to monitor the number of Units that have been committed in the Program, those that are receiving subsidies, and those that are committed but not yet receiving assistance ("outstanding commitments").

Information provided includes the number of Units committed, cancelled, or placed under subsidy during the month, the number of Units receiving subsidies during the month, the number of Units revoked and redesignated, and the number of Units withdrawn.



2. Expenditures

A report of actual expenditures made or an estimate of expenditures incurred during the month is required to monitor the financial impacts of the Program and to inform CMHC of its share of the expenditures.

The expenditures will be displayed by Program activity and the following expenditure categories: net subsidy (including repair/redecoration costs), delivery and administration costs, and financing interest. Data will be provided to support the delivery and administration costs claimed. It is not necessary to provide detailed object of expenditure information in support of the amounts claimed monthly for delivery and administration costs.

The report will also disclose the respective share of the expenditures of each party and the amounts for which reimbursement is being requested by BCHMC.

E. ANNUAL INFORMATION - AUDITED

The audited statement of budgetary expenditures will provide an independent verification of the proper use of funds in accordance with the Operating Agreement and Program Guidelines and will be used to determine the final amount payable to or recoverable from BCHMC for the calendar year ending 31 December.

The audited statement and its supporting schedules will contain information at a level similar to that provided on the monthly claims for the calendar year.

This statement and its supporting schedules will be accompanied by operating data at the project level as outlined in Appendix "2" (Information Requirements) of this Schedule and summarized by Program activity. Project level operating data will be audited in accordance with Program Guidelines. Budgetary expenditures will be broken down by year of commitment in a supporting schedule. This schedule does not require audit and may be based upon reasonable estimates.

Audited information will be submitted no later than 31 July.

ANNUAL INFORMATION - UNAUDITED

Annual outstanding commitment information as at 31 December will be submitted for planning and monitoring purposes and to support information contained in CMHC's records.

Outstanding commitment information will be classified by year of commitment approval. This will include a detailed listing of projects committed and not yet receiving assistance.

This information is required to reconcile the detailed commitment files maintained by CMHC to those of BCHMC.

Unaudited information must be submitted to CMHC no later than 31 January.

F. BUDGETARY EXPENDITURE ACCRUALS

Material budgetary expenditures which have been incurred but not disbursed within the fiscal year ending 31 March and which, in accordance with Program Guidelines, should be charged to the budget for that year, will be reported by BCHMC by 30 April. This information will be certified by a senior financial officer of BCHMC.



